

INCOMING TELEGRAM**Department of State**

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Action

OCT 11 10 05 AM '61

Control: 5853

Rec'd: OCT. 10, 1961

3:40pm

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Info

FROM: Warsaw

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TO: Secretary of State

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NO: 653, October 10, 1 p.m. (SECTION ONE OF TWO)

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US economic relations comprise mixture numerous activities inter-related with informational and cultural programs and broad political considerations. Re DEPTTEL 538 important any review US trade and aid policy Poland differentiate specific economic activities and evaluate their relationship other fields.

Basic economic activity is mutual commercial trade. Actual and potential benefits of increased dollar earnings from growing exports to US are a major Polish regime incentive to exercise some restraint in its relations with US. Conversely, significantly reduced export expectations especially if due US Government restrictions would weaken US influence potential and probably evoke bitter regime recriminations of bad faith in view mounting Ex-ImBank, PL-480, and nationalization claims re payment obligations over next years. On import side, Polish purchases US goods relatively unimportant to Poland except for high technology already limited by export licensing procedures. Complete discontinuation licensing US exports to Poland mentioned reference telegram will not seriously pinch Polish economy unless in concert other NATO countries. Unilateral refusal all licenses by US would (#) will Polish regime to no useful purpose but would result diversion Polish hard currency earnings to other western suppliers who already have competitive advantage due geography, ability offer credit terms, and more expeditious

licensing procedures.

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-2- 653, October 10, 1 pm (SECTION 1 OF 2) from Warsaw

licensing procedures. Furthermore, this would be contrary US effort maneuver Poles into increased purchasing and dependence US market, and would offer ready-made anti-US propaganda.

Most important economic activity in terms actual and potential US influence is PL-480 grain deliveries for which Poland has real immediate and long term need. Expectation US may meet major portion this need is the major tangible and negotiable western restraint on Polish regime. Its removal would stimulate retrogressive domestic forces and promote further deterioration US-Polish relations with adverse effect other US programs in Poland. PL-480 is the major component of the economic framework constructed by US over past five years to support a wide range of US informational and cultural programs and facilitate general US access here. However imperfectly this framework may be operating at present, it does serve to maintain US-Polish communication at a scope and depth unique to the Communist bloc.

While further US Government and private credits primarily for industrial purchases are greatly desired by Poland, there is no reason believe regime prepared make any significant concessions obtain them. Also such credits not essential element maintenance reasonable level relations. Other important but not critical activities in US-Polish economic relations include US Government support private US charity programs, direct remittances, including PL-480 local currency projects, etc. While these carry economic benefits, they also serve enhance US presence in Poland.

Pending and potential economic activities include ICA technical assistance, the President's local currency "Projects for Peace". Regime appears interested former but reluctant latter since they could and should involve major expansion US influence.

NOTE: Advance copy Mrs. Keyhoe (B)
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INCOMING TELEGRAM

Department of State

128/142

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Action

Control: 5970

Rec'd: October 10, 1961
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FROM: Warsaw

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TO: Secretary of State

SP

NO: 653, October 10, 1 p.m. (SECTION TWO OF TWO)

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Icelg*, continuing and prospective economic benefits provide tangible supporting framework of US-Polish relations as well as probably most effective -- but by no means totally effective -- points of leverage on the regime. Accordingly it essential this framework be maintained through current stresses in order that it may be exploited to preserve and as opportunity presents expand US influence.

Embassy recommendations

A. Trade.

1. That no attempt be made at this time to interfere with the commercial development of Polish exports to the US;

2. That licensing of US exports to Poland be continued according to previous criteria for the time being;

B. PL-480.

3. That the broad policy concepts of PL-480 assistance to Poland be maintained for the present;

4. That the pending PL-480 agreement with Poland be concluded as promptly as domestic and international circumstances permit;

5. That more US desiderata be negotiated into or concurrent with PL-480 agreements with Poland;

C. Aid - Other
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C. Aid - Other activities.

6. That industrial credits be denied Poland short of major improvement US-Polish relations;
7. That private US charities operating in Poland continue to receive US Government support as effective means expressing US concern for Polish population;
8. That other non-critical economic activities in Poland be continued at this time.

D. Aid - ~~New~~ activities.

9. That planning for modest ICA technical assistance project be readied for implementation when circumstances permit, as vehicle for US influence in Poland.
10. That US planning and discussions with Poles for "Peace Projects" continue and Polish agreement in principle, contingent Battle Act revision, be made condition any further PL-480 agreement.

NB: Pertinent Embassy views US trade and aid policy were set forth at length in despatches 40, July 29, 1960, and 344, January 13, 1961, as well as draft "Guidelines US Policy and Operations Concerning Poland", August 14, 1961.

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* As received.

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